

**ARKANSAS DEVELOPMENT FINANCE AUTHORITY
REQUEST FOR PROPOSALS FROM
UNDERWRITER
FOR
Mt Magazine Lodge and Cabin Complex Financing
\$25,000,000**



SPECIAL NOTE: YOUR IMMEDIATE ATTENTION IS CALLED TO SECTION I.C. YOU NEED TO SEND TO US AN E-MAIL ADDRESS FOR TRANSMISSION OF NOTICES OF INQUIRIES.

January 10, 2003

**Arkansas Development Finance Authority
423 Main Street, Suite 500
Little Rock, AR 72201
(501) 682-5900**

SECTION I: INSTRUCTIONS TO PROPOSERS/ GENERAL INFORMATION

A. PURPOSE. Act 1390 of 2001, Mt. Magazine State Park and Cabin Complex Act (the “Act”) authorized the Arkansas Development Finance Authority (“ADFA”) to issue tax exempt Bonds for a lodge and cabin complex at Mt. Magazine (the “Bonds”). The proceeds of the Bonds will be used for financing the construction, equipping of the lodge and cabin complex consisting of a 60 room lodge, conference center, 15 cabins and ancillary building/site improvements. The capital costs of the complex are expected to be approximately \$ 25 million.

The 2,200 acres of land on which the facilities will be constructed is leased from the U.S. Forest Service. The lease expires at the end of 2027.

The historical Parks Division total revenues for the Year Ended June 30, 2000 were \$13,963,000 and the projected Mt. Magazine Lodge and Cabin Complex revenues are \$2,190,000.

Preliminary considerations should be given to the Arkansas Department of Parks and Tourism's ability to pledge rental/fee cash revenues derived from the operation of the Mt. Magazine Development, as well as, with other rental/fee based cash revenues derived from operation of the department's other facilities within the park system. Please explain any proposed finance structure utilizing alternative revenue sources. **Arkansas Department of Parks and Tourism** desires to elicit proposals to review, based upon **10, 15 and 20 year maturities and debt service assumptions**.

A copy of the Act can be accessed at the Arkansas Code Online Search web site at www.arkleg.state.ar.us/data/ar_code.asp, Act 1390 of 2001.

This RFP is being reissued due to the amount of time that has lapsed since the original RFP was issued. A couple of new items are worthy of mentioning: (1) Arkansas Parks and Tourism will be funding the architectural phase of the project, (2) Bonds will be issued when Arkansas Parks and Tourism needs funds – possibly nine (9) to twelve (12) months out and (3) the Rose Law Firm has already been chosen as Bond Counsel for the project.

B. SUBMISSION OF PROPOSALS. Written proposals responding to the questions and requests for information in the manner specified in this Request For Proposal (“RFP”) should be submitted to the following:

ppatton@adfa.state.ar.us

To be considered, one (1) copy of the proposal should be delivered to ADFA not later than January 29, 2003, by 12:00 p.m., via email. All proposals shall be time and date stamped upon receipt. Late proposals will not be accepted. ADFA reserves the right to reject any or all proposals.

C. ADDITIONAL INFORMATION. It is the responsibility of the proposer to inquire about and clarify any aspect of the RFP. Questions should be directed to Gene Eagle (geagle@adfa.state.ar.us), Vice President for Development Finance at 501-682-5905 or Patrick Patton (ppatton@adfa.state.ar.us), Vice President for Internal Audit at 501-682-5902. Substantive questions and answers will be documented in letter form and will be sent by electronic mail to all the proposers who provide us with an e-mail address. IN ORDER TO BE ON THE DISTRIBUTION LIST FOR INTERNET TRANSMISSION OF ALL RESPONSES TO INQUIRIES, YOU MUST **IMMEDIATELY** ADVISE PATRICK PATTON OF ADFA, THE INTERNET E-MAIL ADDRESS TO WHICH YOU WANT ALL SUCH TRANSMISSIONS SENT.

D. PROPERTY OF ADFA. Any information or materials submitted as a response to this RFP shall become the property of ADFA and will not be returned. All submitted materials will be available for public review.

E. RESPONSE TO REQUEST FOR PROPOSAL. Investment banking firms wishing to respond to this RFP may contact Patrick Patton, Chair of the Staff Professional Selection Committee. NO CONTACT WITH ADFA BOARD MEMBERS IS ALLOWED AND ANY SUCH CONTACT WILL BE GROUNDS FOR IMMEDIATE REJECTION OF A FIRM'S PROPOSAL.

F. SELECTION TIMETABLE.

January 10, 2003	Request for Proposal Issued
January 29, 2003	Proposals Due @ 12:00 p.m.
TBA	Oral Presentations (if necessary)
February 20, 2003	Board Action (ADFA resolution appointing team)

G. SELECTION PROCESS. The ADFA Staff Professional Selection Committee, working with representatives from its project partners, the State Department of Parks and Tourism (collectively, the "Review Committee"), will review the submitted proposals. Proposals will be evaluated based on (1) responses to specifics outlined in the Proposal Format section of this RFP and (2) the selection criteria. Proposals which omit any of these items may be rejected as non-responsive. From this review, a select group of firms may be chosen for oral presentations. All proposing firms will be advised of the firms selected for oral interviews. After conducting oral interviews, if necessary, the Board Professional Selection Committee, in consultation with the Review Committee, will make its decision on a recommendation for selection which will be reported to the Board of Directors of the Authority at its February 20, 2003, regular meeting. The final selection will be made by a vote of Board members.

H. SELECTION CRITERIA. The proposals will be reviewed by the Review Committee. The committee may use the following criteria to rank all acceptable proposals and to develop recommendations to be presented to ADFA Board Professional Selection Committee, although ADFA and the Review Committee reserve the right to consider factors beyond those mentioned below and to follow a process of selection that involves means other than ranking based on such scores.

<i>FACTOR</i>	<i>POINT RANGE</i>
1. Qualifications of the senior underwriter:	
a. Prior experience with municipal bond issues	0-10
b. Prior experience with comparable municipal bond issues including size, number, complexity and success of prior bond issues	0-10
c. Qualifications of staff assigned to this program including the team members' demonstrated ability, years and type of experience	0-10
d. Demonstrated marketing ability and resources, and strength of co-managing group, as applicable	0-10
e. Net capital of the firm	0-5
f. Response to Arkansas presence issue including relevance of presence to this transaction	<u>0-5</u>
	0-50
2. Merits of the proposed financing structure including its creativity and cost effective goals of the program	0-30
3. Pricing proposal	<u>0-20</u>
<i>Maximum Points</i>	0-100

SECTION II: SCOPE OF SERVICES AND REQUIREMENTS

The senior managing underwriter will be expected to perform all the normal duties associated with the underwriting and sale of the bonds in a negotiated mode including but not limited to:

1. Assist in final structuring of the bond issue;
2. Advise the Authority concerning market conditions and the timing of the sale;
3. Obtain an underwriter's counsel (subject to the approval of ADFA);
4. Assist in the preparation of necessary documents related to the issue;
5. Develop a sale strategy and marketing plan;
6. Manage the syndicate prior to, during, and after the bond sale;
7. Conduct pre-sale briefings and information sessions;
8. Conduct the bond sale including "running the books" and, if necessary, underwriting;
9. Provide normal administrative services such as procurement of CUSIP number, establishment of account with DTC, etc.;
10. Prepare a summary analysis of the bond sale;
11. Review, comment and assist in the refinement of the financing plan for the projects; and
12. Cooperate with ADFA and its engaged professionals in the calculation of arbitrage rebates on an as needed basis.

The co-managing underwriters will participate in the sale and underwriting of the bonds and may assist the senior managing underwriter in other matters on an as-needed basis. Consistent with current ADFA policy, the management fee will be distributed to the senior managing underwriter, and it is at the discretion of the senior managing underwriter as to whether or not the management fee will be shared with co-managers.

SECTION III: STATEMENT OF QUALIFICATIONS

An updated statement of qualifications should be maintained on file at ADFA for all firms submitting proposals as senior managing underwriter as well as all firms who are proposed as co-managers. If a firm for which ADFA does not have a statement of qualifications on file is proposed as a co-manager, ADFA will advise both the proposing senior manager and the concerned proposed co-manager. Ultimately, it is the responsibility of each firm to submit their own statement of qualifications to ADFA in order to be eligible to participate in the Program as a co-manager.

SECTION IV: PROPOSAL FORMAT

A. TRANSMITTAL LETTER. A one page transmittal letter prepared on the proposer's business stationery should accompany the proposal.

B. PROPOSAL. The proposal should be labeled "Proposal to serve as Underwriter for the Mt. Magazine Lodge and Cabin Complex Financing." The submission must contain sufficient information to enable the Review Committee to evaluate the proposal. It should be prepared in a clear and concise manner and should address each of the following subsections:

1. **Investment Banking Team and Personnel.** Describe the manner in which you would organize your firm's resources to serve as ADFA's senior managing underwriter. In doing so, please address the following questions or issues:
 - a. Identify the individual who will manage this financing on a day-to-day basis. Indicate the degree to which he or she will be able to commit the firm's resources to ADFA. What is this person's availability for this financing and what other commitments does he or she have?
 - b. Identify other public finance bankers who will be assigned to work on this project, their roles and responsibilities. What are some relevant aspects of their background?
 - c. This request for proposal does not request recommendations or designations of underwriter's counsel or other law firms. Such designation will occur after selection of an investment banking firm as senior manager in conjunction with ADFA.

2. **Co-Managing Group.** List the firm name and primary contact person for each investment banking firm who you propose as co-manager and describe the proposed division of bonds between the senior manager and co-managers.
3. **Financing Approach and Recommendation for the Financing Plan.** Please respond briefly to the following issues as you deem appropriate:
 - a. What financing structure would you recommend that ADFA take? Why?
 - b. What are likely credit concerns associated with the bonds? What credit rating would you expect to be assigned to the bonds? What strategy or approach would you recommend to maximize the credit rating?
 - c. Who are likely investors for the bonds? Do you anticipate special marketing problems or issues associated with the bonds? Are there special marketing efforts that might make the bonds more attractive to non-traditional investors in tax-exempt bonds?
4. **Arkansas Presence.** Please explain your firm's presence within Arkansas and describe how that presence is relevant to this proposed transaction.
5. **Rationale for Appointment and Proposal Summary.** This section of the proposal should be used by each proposer to present the case for its appointment to the position sought. It is not necessary for you to recite comprehensively your firm's qualifications and experience, which should be on file with ADFA in your current Statement of Qualifications, but it would be useful for you to describe how your qualifications and experience in structuring, underwriting and distributing securities is relevant to the proposed transaction. In particular, you may want to select, e.g., three (3) past deals as senior manager (indicating the date of issue, issuer, credit description, size and method of sale) and summarize their similarity to this program and their successfulness.
6. **Investment Banking Fee Proposal.** The fee proposals are an important component of the evaluation process. State the basic assumptions on which your figures are predicated and any factors that would affect the proposal. In particular, we are interested in a specific proposal as to the management fee, expressed in terms of dollars per \$1,000.

We are also interested in receiving from you an estimate of the anticipated average takedown for the sale and underwriting of the bonds and your reasonable expectation for a total spread, including expenses (also expressed in dollars per \$1,000). Recognizing that the takedown and expenses can vary from issue to issue, we expect to negotiate with our senior managing underwriter for each issue, in advance, a budget for these items.

INVESTMENT BANKING FEE PROPOSAL
Mt Magazine Lodge and Cabin Complex Financing

Management Fee \$ _____ /\$1000
Average Takedown \$ _____ /\$1000
Underwriters' Expenses \$ _____ /\$1000

TOTAL - UNDERWRITER SPREAD \$ _____ /\$1000 <i>Gross Spread</i>

Expense Breakdown	(Maximum not to be exceeded)
Clearance	\$ _____
Computer	\$ _____
Travel	\$ _____
Syndication	\$ _____
Advertising	\$ _____
U/W Printing	\$ _____
Transaction Fees (MSRB, PSA, etc.)	\$ _____
Freight & Communications	\$ _____
Closing Expenses	\$ _____
Underwriter's Counsel Cost	\$ _____
Other (please specify)	
_____	\$ _____
_____	\$ _____
TOTAL	\$ _____

ADFA expects to receive funds due at closing in the form of a wire transfer or a Federal Funds check and plans to deposit those funds into their account the day of closing. Therefore, if the senior manager plans to charge for same day funds, the cost should be included as an expense item in this proposal. If it is not included, ADFA will assume there will be no charge for same day funds.

UNDERWRITERS

TO RECEIVE RFP'S

CONTACT/FIRM/EMAIL	CONTACT/FIRM/EMAIL
Mr. Jim Fowler, Senior Vice President Morgan Keegan Jim.fowler@morgankeegan.com	Mr. Edmond Hurst Crews & Associates, Inc. Ehurst@crewsfirstsecurity.com
Mr. Bo Daniels, Vice President Goldman Sachs & Company Warren.daniels@gs.com John.tully@gs.com	Mr. Mike Toth, Managing Director Salomon Smith Barney, Inc. Michael.e.toth@ssmb.com Nicholas.g.fluehr@ssmb.com
Mr. Steve Claiborn Lehman Brothers, Inc. sclaibor@lehman.com pscott@lehman.com gbrandt@lehman.com	Mr. Neil Cate, Vice President Public Finance Sterne, Agee & Leach, Inc. ncate@sterneagee.com
Mr. Byron Schriver, Senior Vice President Stephens Inc. bschriv@stephens.com bnichols@stephens.com	Ms. Barbara Feldman, Managing Director Merrill Lynch bfeldman@exchange.ml.com
Mr. Peter Nolden, Managing Director UBS PaineWebber Inc. pnolden@ubspw.com mchoo@ubspw.com	Mr. Jeffery Orum, Managing Director Bear, Stearns & Company, Inc. jorum@bear.com
Mr. Field K. Wasson, Jr., Managing Director Oppenheim, A Division of BOSC, Inc. fwasson@mail.bokf.com	Mr. Lorenzo Boyd A.G. Edwards & Sons, Inc. murrayrt@agedwards.com colerh@agedwards.com boydlm@agedwards.com
D. Grant Carwile, Senior Vice President William R. Hough & Co. gcarwile@hough.com	Mr. Steve Young, Senior Vice President Morgan Stanley Dean Witter & Co. Steve.young@morganstanley.com Robert.larkins@morganstanley.com Curt.shelmire@morganstanley.com
Mr. Bick Satterfield American Municipal Securities, Inc. publicfinance@amuni.com	Mr. Terrence Finn, Executive Vice President Stern Brothers & Co. tfinn@sternbrothers.com bswanger@sternbrothers.com
Mr. Tom Lally Edward Jones Tom.lally@edwardjones.com	Ms. Sandra Reynolds, CFA, Managing Director Loop Capital Markets, LLC jimr@loopcap.com
Mr. Jim Hahn Newman & Associates Jim_hahn@newmanfs.com	Mr. Richard Ryffel Bank of America Richard.a.ryffel@bankofamerica.com